

3.



PO Box 1749  
Halifax, Nova Scotia

REG: **DECLASSIFIED**

FOIPOP Review: [Redacted]

**Halifax Regional Council**  
**September 23, 2003**  
**In-Camera**

Approved to Release: [Redacted]

Date: January 14, 2025

**TO:** Mayor Kelly and Members of Halifax Regional Council

[Redacted]

**SUBMITTED BY:**

George McLellan, Chief Administrative Officer

[Redacted]

Dan English, Deputy Chief Administrative Officer

**DATE:** September 17, 2003

**SUBJECT:** Shubie Municipal Campground

**ORIGIN**

- Request for Proposal #02-115 "Shubie Municipal Campground" issued September 2002.

**RECOMMENDATION**

It is recommended that:

1. Council authorize staff to enter into an operating agreement with Resource Management and Consulting Incorporated (RMAC) for the operation of Shubie Municipal Campground, as per the key terms and conditions outlined in the body of this report;
2. Council approve the commitment of \$133,000 from Capital Project CPC000680 for HRM's share of the capital upgrades as outlined in the Budget Implications, and stipulated under the Key Terms and Conditions of this report; and
3. This report not be released until the operating agreement has been executed.

**BACKGROUND**

For the past several years, the Shubie Municipal Campground has been operating under a Management Agreement between HRM and a private partner. This arrangement allowed HRM to move away from directly operating a campground and resulted in a lower net annual cost to HRM.

In 1997 HRM retained KPMG to perform operational reviews of several facilities including the Shubie Municipal Campground. KPMG's findings included a recommendation that the Shubie Campground was an ideal candidate for a private partner to operate on behalf of HRM. In 1999, as a result of an RFP, Council approved entering into an agreement with Resource Management and Consulting Incorporated (RMAC) to act as HRM's agent in operating the campground from May to October. The agreement had a two-year term with an option to renew for up to three more years. It is also worth noting that RMAC was the only proponent to respond to the RFP.

Prior to this arrangement, HRM was fully responsible for all operating and capital costs for the campground. With this arrangement, HRM was able to reduce its annual operating commitments. RMAC was responsible for a portion of the operating costs and providing a share of the revenue to HRM in an amount of \$9,100. The net effect has been that HRM has still had to subsidize the operation on average of \$7,500 per year over the past two years. In addition, HRM has spent an average of \$10,000 annually in capital facility repairs.

Following the second year of the contract with RMAC, inspections by the provincial Fire Marshall's Office revealed several code compliance deficiencies. In addition, electrical inspections were carried out as a result of frequent load capacity problems being experienced within the campground. These inspections also revealed further code deficiencies and a requirement to upgrade the whole service. The water system has also been experiencing failures and is in need of major upgrades.

Some of the code deficiencies have been corrected to allow the campground to continue to operate temporarily. However, the campground is in need of major electrical and water system upgrades to allow it to continue to operate in the future.

Several alternatives were explored to provide the necessary funding for the upgrades, including approaching the existing operator to cost share in exchange for increased revenue sharing. A Staff Report to Council on March 19, 2002, recommended closure of the campground and conversion to open parkland. Council requested staff to try once more by initiating an Expression of Interest to see if there were any additional offers that would come forward from the private sector to operate and invest in the campground.

A Request for Proposals was publicly advertised on September 25, 2002, and closed October 23, 2002. Although two interested parties took out copies of information and toured the site, only one proponent responded. The only proposal received was from RMAC who have presented a proposal that includes \$328,000 in capital upgrades, of which HRM would be required to contribute \$133,000.

Although not included in the RFP, Council set aside \$100,000 HRM in capital funds as possible cost sharing for the upgrades necessary for the campground.

Staff held several meetings with RMAC to discuss and negotiate the best possible key terms and conditions around the RMAC proposal. This was compared to the option of closing the campground and converting to open parkland.

The negotiations have resulted in RMAC offering a proposal that would see them partner with HRM. In consideration for a long term operating agreement, RMAC would cost share the capital upgrades required with HRM and be responsible for all operating costs during the campground season. RMAC would retain all operating revenues. HRM would be required to cost share capital upgrades and would be responsible for the campground security and vandalism during the off-season.

## **DISCUSSION**

RMAC has proposed a 15 year agreement with an option to renew for 10 years. Their proposal calls for a slightly reduced electrical and water upgrade project from what was originally presented to Council as part of previous reports. The original plan was to provide services to 100% of campground sites. RMAC indicates they feel that if 75% of the campground sites were upgraded for water and electricity, there is a viable investment. Staff have reviewed the proposal and feel it will still meet the desired objectives.

Staff compared this to closing the campground and converting the area to open parkland. The \$100,000 is sufficient to cover the closeout and conversion costs. However, the net operating costs rise annually by \$17,000, which represents a net present value (over a 25 year period), present value of approximately \$212,000. Thus, a decision to move forward with the RMAC long-term contract is financially positive for HRM.

Staff spent considerable time over the past twelve months exploring other options and factors surrounding this proposal, looking at ways to improve the proposal as well as ensuring the best business arrangement available would be brought before Council.

A positive feature to this proposal is an agreement that RMAC would also assume responsibility from HRM for the security of the nearby ballfield, playground and beach during the campground season. This would be accomplished by repositioning the campground check-in security booth. Currently, security issues can be a problem after hours for both the nearby HRM facilities and a nuisance to campers, as well as nearby homeowners, therefore, there is a benefit to both parties to this new arrangement.

Staff also had to consider information from industry sources which indicate a current slow growth trend in the camping industry. However, that growth trend has been towards larger RV campers and this capital upgrade positions the Shubie Campground to take greater advantage of that, thus, reducing the investment risks. Consideration to whether or not other private campgrounds would be

a benefactor or harmed by either a closeout of Shubie or reinvestment in Shubie was inconclusive. Staff also took into consideration the value of having an existing HRM asset upgraded partially using private sector funding. Baring any unforeseen circumstances, HRM will not be required to direct any further capital funding to this asset for at least 15 years.

The proposed term also had to be considered carefully as it is unusually long. The length of term is necessary for the private partner to recoup their investment. The proposed term period is a significant length of time to have future HRM decisions restricted, however, current long range plans do not contemplate any alternative uses other than recreational purposes.

Finally, staff considered the track record of the proponent. RMAC has proven over the past four years their capability to operate this campground.

After careful consideration of all factors, staff feel there are sufficient business reasons to support recommending in favour of accepting this proposal. It allows HRM to continue to maintain this asset and offer this service with the least possible public funding.

Staff believe that the terms captured in this report provide the basis of a good business relationship for the continued operation of the municipal campground. The business terms surrounding this proposal are sound enough for staff to be comfortable with recommending this proposal to Council.

The renovations would begin this fall and conclude next spring. In the interim, the existing operator (RMAC) has continued to operate the facility under a final one year extension to the previous agreement for the current 03/04 camping season.

The following summarizes the key terms and conditions of the new proposal:

<b>Key Business Terms of New Proposal</b>	
Property Address	30 John Breton Drive, Dartmouth Nova Scotia
Landlord	HRM
Operator	Resource Management and Consulting Incorporated (RMAC)
Rental Area	- 32,500 square metre fenced compound, containing 78 camp sites (some serviced, some not) - 2,510 square metre overflow campground, containing 20 camping sites - Shelter and shower facility (2 male, 2 female) - other campground amenities
Rent	None
Term	15 years
Use	Camping
Option to Renew	10 years
Initial Capital Upgrade Costs	Electrical and Water Upgrades: RMAC: \$150,000 HRM: \$ 98,000  Washroom/Laundry Facility Capital Upgrade: RMAC: \$ 25,000 HRM: \$ 25,000  Fence Repairs: RMAC: \$ 0 HRM: \$ 10,000  Other: RMAC: \$ 20,000 HRM: \$ 0
Future Capital Costs during Term	100% Proponent
Operating Costs	Campground Season: RMAC: 100% operating costs are responsibility of operator. HRM: 0%  Off-Season: RMAC: 0% HRM: 100% for vandalism and security
Revenues:	100% to proponent

## **BUDGET IMPLICATIONS**

### ***Operating Revenue and Expenses***

The 2003/04 operating budget includes \$5,500 (under RPAM Real Property Operations) representing the projected net cost of operating the Shubie Campground this season. Vandalism and security costs as well as entrance roadway maintenance continue to be included within the overall HRM parks budget for these types of costs, rather than separately identified as Shubie-related costs.

For 2004/05 and subsequent years, RMAC assumes all operating expenses other than for vandalism and security costs over the winter months, as well as the entrance roadway maintenance, for which HRM will continue to be required to budget for.

### ***Capital Expenses***

HRM's commitment for capital expenses in 2003/04 would be \$133,000, with funding to be drawn from Capital Project CPC000680 as follows:

-	2002/03 approved for Shubie Campground upgrades	=	\$100,000
-	2003/04 additional funds approved.	=	33,000.

Capital expenses for 2004/05 and subsequent years will be the full responsibility of RMAC for all the infrastructure upgraded.

## **REGIONAL PLANNING IMPLICATIONS**

This operating arrangement will have no implications on any current regional plan initiatives for this area.

## **FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

## **ALTERNATIVES**

1. Council could instruct staff to close Shubie Municipal Campground as an operational campground following the 2003 camping season (October 2003) and convert the area to open parkland. The \$100,000 approved in the 2002/03 capital budget (project CPC00680) would be used to cover close-out and conversion costs, including the removal of existing facilities within the campground. The additional funding in the 03/04 capital budget would be redirected to other priority park upgrade projects. No further capital expenditures would be

anticipated for the campground. This alternative would, however, result in increased ongoing operating costs to maintain the parkland and to cover security costs during the annual camping season (as detailed in the Discussion section of this Report). Appendix B provides more details on the cost of closing out the campground versus the recommended proposal. These additional operating costs would have to be programmed during the next business planning cycle.

This is not the recommended alternative as staff believe the terms of the operating agreement are sufficient to proceed with a third party operator.

2. Council could instruct staff to re-issue the RFP once again, with a broader solicitation.

This is also not a recommended alternative as staff believe there would be no tangible benefit over the proposed operating agreement.

### **ATTACHMENTS**

Appendix A - Existing Terms and Conditions of Agreement

Appendix B - Table of Closeout Option vs New RMAC Proposal

Appendix C - Map of Shubie Park

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Jim Nauglet, Coordinator, Client Services, Real Property and Asset Management, 490-4631  
Doug Rufus, Manager, Service Delivery, Real Property and Asset Management, 490-6205

Report Approved by:   
Mike Labrecque, Director, Real Property and Asset Management, 490-4851

## Appendix A

<b>Key Business Terms of the Current Agreement</b>	
Property Address	30 John Breton Drive, Dartmouth Nova Scotia
Landlord	HRM
Operator	Resource Management and Consulting Incorporated (RMAC)
Rental Area	<ul style="list-style-type: none"> <li>- 32,500 square metre fenced compound, containing 78 camp sites (some serviced, some not)</li> <li>- 2,510 square metre overflow campground, containing 20 camping sites</li> <li>- Shelter and shower facility (2 male, 2 female)</li> <li>- other campground amenities</li> </ul>
Rent	14 May 2001 - 31 October 2001 \$1,000 / month plus 3% gross revenues (01/02 Net Revenues = \$9,633.00 forecast)
Term	One Year
Use	Camping
Option to Renew	None
Special Conditions	HRM Contribution 3. 10 % Power costs 4. 10% Water costs 5. Campground seasonal startup/shutdown costs 6. Vandalism costs 7. Less rent of = <span style="float: right;"><u>-\$9,100</u></span>  Average Net Cost for past two seasons = <span style="float: right;">\$7,500</span>



## Appendix B

Item	New RMAC Proposal		Campground Closeout	Comments
	HRM	RMAC	HRM	
Operating Costs of Campground ( Utilities, washroom maintenance, etc)	\$0	Full Cost	\$23,000	Under closeout option, HRM's costs rise to handle grass cutting, tree maintenance, litter pickup and disposal, full cost to maintain washroom for park.
Vandalism Repair Costs	\$5,000	\$0	\$2,000	Reduction under Closeout option is as a result of reduced infrastructure.
Campground Security	\$0	Full Cost, including nearby ballfield, playground and beach during campground season.	Full Cost.	Under new RMAC Proposal, RMAC would also take over from HRM security responsibility for nearby ballfield, playground and beach during campground season. Under Closeout option, existing security issues in campground area would become part of an overall security strategy for the parkland in the eastern region.
Capital Upgrades	<b>\$133,000</b> as follows: \$98,000 for electrical and water upgrades; \$25,000 to upgrade washroom and laundry building; \$10,000 for fence repairs.	<b>\$195,000</b> as follows: \$150,000 for electrical and water upgrades; \$25,000 to upgrade the washroom and laundry building; \$5,000 to relocate security booth; \$15,000 to improve central office.	<b>\$100,000</b> as follows: \$33,000 to pay RMAC for closeout costs, removal of signs, announcements, etc. \$67,000 for removal of campground facilities, convert to parkland, provide park washrooms.	Under Closeout option, existing washroom would be renovated for park usage, or if costs dictate, replaced with temporary washroom facilities while a washroom strategy for complete parkland trail system is devised.
Future Capital Requirements for Campground	\$0	Full cost.	\$0	RMAC would assume 100% for 15 years by establishing capital reserve. The exception would be vandalism related expenditures, for which HRM is responsible.

